

Message Text

SECRET

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ACTION SS-25

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FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 2106

S E C R E T SAIGON 9147

EXDIS

STATE ALSO PASS AID

E. O. 11652: GDS

TAGS: EAID, VS

SUBJECT: ADDITIONAL ECONOMIC ASSISTANCE FOR VIETNAM

REFERENCE: A. STATE 071120

B. SAIGON 7700

C. SAIGON 8400

1. REF A INCLUDES DECISION TO INCREASE DOD PIASTER PURCHASES BY DOLLARS 40 MILLION FOR THIS CALENDAR YEAR TO A TOTAL OF AT LEAST DOLLARS 136 MILLION. REF B GIVES UPDATED DAO PROJECTION OF DOD PIASTER PURCHASES FOR THE YEAR , INDICATING SHORTFALL FROM THE BASE OF DOLLARS 96 MILLION ASSUMED IN REF A BY ABOUT DOLLARS 5 MILLION. PRESENT MESSAGE GIVES MISSION VIEWS ON MEANS REACHING DOLLARS 136 MILLION TOTAL FIGURE.

3. DURING DOFF- WILHELM APRIL VISIT, VARIOUS APPROACHES TO PROBLEM WERE EXAMINED. MAJOR DOFF SAID THAT NEITHER OF THE TWO MOST OBVIOUS AND EASIEST METHODS, I. E., DIRECT BUDGET- SUPPORT OR INCREASE IN AID- DOD REALIGNMENT WERE FEASIBLE IN TERMS DOD LEGAL AND CONGRESSIONAL PROBLEMS, HENCE NEITHER RECEIVED MUCH ATTENTION HERE.

3. DOFF THOUGHT THAT FEASIBLE INCREASES IN EXISTING DOD PROGRAMS, MAINLY LOCAL PROCUREMENT AND CONSTRUCTION, COULD YIELD UP TO DOLLARS 25-27 MILLION ADDITIONAL PIASTER PURCHASE IN 1973. HE

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THOUGHT SCRAP EXPORTS OF UP TO DOLLARS 5 MILLION SHOULD BE COUNTED AGAINST THE DOD OBLIGATION, FOR A TOTAL OF ROUGHLY DOLLARS 30 MILLION. REACHING SUCH TOTAL WOULD REQUIRE SOME RELAXATION SPECIFICATIONS AND OTHER MOVES TO SPEED UP EXISTING PROGRAMS.

4. THE ONLY MEANS ADVANCED OF COVERING REMAINING GAP WAS WILHELM CONCEPT OF DOD DOLLAR PAYMENT FOR PROCUREMENT TO BE CARRIED OUT BY

GVN AGENCIES UNDER AN ARRANGEMENT IN WHICH USAID WOULD ACT AS AGENT

FOR DOD. USAID WOULD SIGN PROAG WITH GVN, CALLING FOR GVN TO PROCURE VARIOUS GOODS AND SERVICES UNDER GUIDELINES ESTABLISHED FOR MASF. ON BASIS STILL TO BE DETERMINED, USAID WOULD MONITOR PERFORMANCE; ALSO WOULD REIMBURSE GVN WITH FUNDS OBTAINED FROM DOD.

SINCE IT WOULD BE DIFFICULT TO SET UP THIS SORT OF ARRANGEMENT IN TIME FOR MAJOR REIMBURSEMENTS TO GVN DURING 1973, WILHELM ALSO ENVISAGED DOD PREPAYMENT TO USAID IN DOLLARS, WIK USAID EXCHANGING FOR PIASTERS IMMEDIATELY. USAID WOULD THUS HOLD A PIASTER FLOAT OF SOME MAGNITUDE, AND WE IMAGINE THIS WOULD ENTAIL MAINTENANCE OF VALUE CLAUSE IN USAID- GVN PROAG.

5. IF THE COMBINATION OF INCREASES IN REGULAR DOD PROGRAMS AS ESTIMATED BY DOFF, AND THE ARRANGEMENT VISUALIZED BY WILHELM COULD BE APPROVEDHXND SET IN MOTION, WITH THE LATTER COVERING ANY DEFICIENCY IN FORMER, THE PROBLEM WOULD BE RESOLVED. WE ARE UNABLE TO JUDGE ALL THE LEGAL AND ACCOUNTING ASPECTS OF THE WILHELM APPROACH AND EQUALLY UNABLE VERIFY DOFF'S ESTIMATES AT THIS TIME. HOWEVER, WE THINK THE COMBINATION OFFERS ENOUGH PROMISE TO BE WORTH PRESSING TO A CONCLUSION. IF BUDGET SUPPORT AND AID- DOD REALIGNMENT ARE RULED OUT, WE DO NOT IN FACT SEE ANY OTHER MEANS OF MEETING REFTTEL TARGETS.

6. PER REF B, USAID IS PREPARED TO DRAFT PROAG COVERING THE REIMBURSEMENT SCHEME; HOWEVER, WE CLEARLY UNABLE TO DO SO IN ABSENCE OF FURTHER GUIDANCE ON THIS MATTER.

7. REF C SAID THAT USAID OPPOSED TO TAKING RESPONSIBILITY FOR CONSTRUCTION IN DIRECT SUPPORT OF RVNAF. NONETHELESS, IF ASSUMPTION THAT RESPONSIBILITY ONLY MEANS FOR US GOVERNMENT TO PROVIDE ADDITIONAL ECONOMIC SUPPORT TO GVN THROUGH DOD PIASTER PAECHASES VISUALIZED REF A, THEN USAID FULLY PREPARED UNDERTAKE THIS RESPONSIBILITY UNDER
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WHATEVER GUIDELINES PROVIDED BY AID/ W. UNDER SUCH CIRCUMSTANCES, USAID WOULD PREFER WORK THROUGH GVN CIVILIAN INTERMEDIARY AGENCIES AND WITH CIVILIAN CONTRACTORS TO EXTENT FEASIBLE. ADDITIONAL USAID STAFFING FOR CONTRACT

OFFICE MAY BE REQUIRED.

WHITEHOUSE

NOTE BY OC/ T: NOT PASSED AID.

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